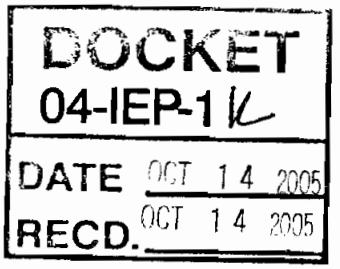

October 14, 2005

California Energy Commission
Attn: Docket No. 04 IEP 1K
1516 Ninth Street
Sacramento, CA 95814-5512

RE: 04 IEP 1K Committee Draft Document Hearings
Support Transportation Fuels Recommendations

Dear Commissioners,

Bluewater Network appreciates the opportunity to comment on the "Transportation Fuels" section of the Draft 2005 Integrated Energy Policy Report ("Energy Report"). Bluewater supports the majority of policy recommendations set forth in Chapter 2 of the draft report, with a few exceptions noted below.

Promotion of Alternative Fuels

We support the Commission's focus on renewable fuels as a viable near-term strategy to reduce petroleum dependence and carbon emissions. We also support a "pollution portfolio" approach, and strongly support efforts to promote E85, Flex Fuel Vehicles, and Renewable Fuels Standards.

We are concerned, however, that creating a fuel infrastructure based on forest biomass raises many critical concerns about forest health and habitat. Rather than create another industry reliant on removing biomass from our already hard-hit forest ecosystems, we believe that the state should focus on other sources of alternative fuels.

Hybrids

Bluewater agrees that hybrid technology should be promoted at the state level, but cautions that the state must differentiate between fuel efficient hybrid technology and hybridization that is used primarily to increase power, without significant fuel efficiency gains.

Plug-In Hybrids

As noted in the Energy Report, plug-in hybrid technology offers California drivers dramatic fuel efficiency gains over current vehicle technologies. The potential to achieve fuel efficiencies of 100+ miles per gallon in the near term, without developing any new infrastructure, presents an

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extraordinary opportunity to quickly reduce fuel demand in California, to reduce criteria pollutants, and to significantly decrease California's contribution of greenhouse gas pollution.

This technology also has the potential to significantly reduce fuel costs to consumers. At current electricity prices, plug-in hybrids achieve the gasoline equivalent cost of approximately $1.00 per gallon or less. Another benefit of this technology is that it can be paired with ethanol, bio-diesel, and even hydrogen-fueled cars. It is estimated that future flex-fuel plug-in hybrids will be able to reduce petroleum use by up to 98 per cent.

Finally, plug-in hybrids have the potential future benefit of improving the efficiency of our electrical grid with a vehicle-to-grid connection. Plug-in hybrids can sell power back to the grid during periods of peak demand or as a regulatory service to keep voltages steady.

In the words of Senator Lieberman, plug-in hybrid electric vehicles are "on the threshold of commercialization." California has traditionally been a leader in moving the market to produce efficient and less polluting products. Plug-in hybrids present an opportunity to do so again, with a product that will change Americans' concept of fuel efficient vehicles. It is critical that the State of California support the development and commercialization of this technology. Such policies might include manufacturer incentives, demand creation policies, standards, and research and development support if necessary.

Global Warming

Bluewater is encouraged by the Commission's attention to global warming in developing State energy policy. Transportation is the single largest source of greenhouse gas pollution in the state and California must, in developing a mix of transportation policies, ensure that greenhouse gas emission reductions are a key consideration. Without such an emphasis, it will be very difficult to achieve the governor's greenhouse gas reduction targets.

Demand Reduction

Demand reduction, including the reduction of vehicle miles traveled, is one of the most intransigent problems faced by the state and we strongly encourage the Commission to put real resources into developing and implementing concrete policies in this area. We strongly support the goal of reducing fuel demand through integrated land use planning and providing modern, dependable, and easy-to-use transit options. Demand reduction pricing policies will not be successful without truly viable options to solo driving.

Infrastructure Needs

Bluewater supports the development of alternative fuel sources, demand reduction, and efficiency increases rather than the development of additional petroleum infrastructure.

Bluewater is particularly concerned about the State's proposal to streamline permit procedures for petroleum projects. Developing petroleum infrastructure raises significant issues including pollution, safety, traffic, decreased land values, and environmental justice issues, especially in those communities near proposed projects.

Streamlining permit procedures into a "one-stop permitting shop for refineries" is likely to reduce citizens' access to decisionmakers and their ability to have any impact on the outcome of proposed projects. Citizens, especially those who live in areas affected by these projects, must have a full opportunity to provide input into proposed projects and have a concrete ability to protect their interests.

We thank you for considering these comments and commend the Commission for providing a thorough and well balanced set of recommendations to reduce energy demand, secure additional energy supplies, and most importantly to transition to more sustainable technologies and fuel types. We look forward to working with the Commission in the future to resolve our outstanding concerns and to implement the majority of proposed recommendations.

Sincerely,

/s/

Danielle R. Fugere
Climate Change Director
BLUEWATER NETWORK